International overview

Sustained growth in an uncertain world

The US elections are over, but political uncertainty remains. The fight against inflation has largely been won. Service prices are still rising a little too much but will not prevent further key rate cuts. Politics and conflicts are downside risks, but economies continue to show resilience. However, the differences are clear: The United States is showing persistent strength, China is decelerating and the euro area is struggling with both structural and cyclical problems.

The US elections – from one uncertainty to another. Politics and conflicts have remained in focus this autumn, while economic developments have been calmer. Waiting for the US elections and the potential political, financial and economic impact of the presidential candidates' policies has occupied the centre of attention. Although opinion polls did indicate that Donald Trump was leading, the Republicans won the elections more convincingly than expected. With the elections now over, some questions have been answered, but many remain. We assume that the US will raise tariffs, especially against China; the highest levels mentioned during the campaign – 60 per cent against China and 10-20 per cent against the rest of the world – will be subject to negotiations, since high tariffs are expected to hurt the US economy.

Growth convergence will be delayed. Economic developments continue to defy political uncertainty, war and conflicts, and the growth picture is broadly unchanged compared to the August issue of *Nordic Outlook*. Stable global growth of just over 3 per cent in 2024-2026 will be resilient, although the world economy is expanding more slowly than before the COVID-19 pandemic and the picture is fragmented. One change in our forecast is that growth convergence between the US and the euro area will be delayed. We are raising our US forecast, driven by households with strong consumption, while growth will be moderate in the euro area as Germany struggles with cyclical and structural problems. China is weighed down by earlier credit expansion, which has created problems in the real estate market, and by an export-oriented growth model that faces trade barriers and tariffs. Political decisions, conflicts, fragmentation and tariffs are large and uncertain forces that can rapidly change economic conditions.

Global GDP growth
Year-on-year percentage change

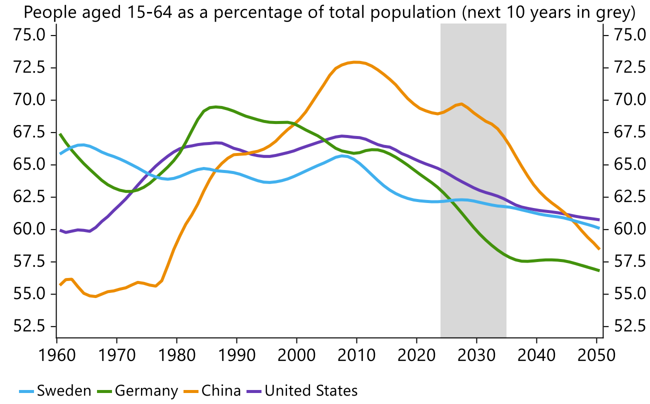
	2023	2024	2025	2026
United States	2.9	2.7	2.0	1.7
Japan	1.7	0.4	1.0	1.1
Germany	-0.3	-0.1	0.8	1.2
China	5.2	5.0	4.5	4.3
United Kingdom	0.3	1.0	1.4	1.5
Euro area	0.4	0.8	1.3	1.6
Nordic countries	0.4	1.1	2.2	2.5
Sweden	-0.3	0.5	2.2	3.1
Baltic countries	0.0	0.9	2.4	2.7
OECD	1.7	1.8	1.9	1.7
Emerging markets	4.4	4.4	4.1	4.1
World, PPP	**3.2**	**3.2**	**3.1**	**3.1**

Source: OECD, IMF, SEB. PPP = Purchasing power parities

The fight against inflation has largely been won without deep recessions**,** although there is stagnation in various countries. Despite some inertia in service prices, inflation is on its way down towards central bank targets and in some countries is already there. Lower inflation and key interest rate cuts will be crucial to purchasing power, capital spending and growth in 2025-2026. But cautious households will have to spend, not save. Inflation and growth are decelerating at different rates in different countries, as reflected in central bank policies. The US Federal Reserve's key rate will bottom out slightly higher than previously thought (3.50 per cent) and the European Central Bank's deposit rate slightly lower (1.50 per cent). The inflation downturn is leading to higher real interest rates, and the rate cutting cycle needs to keep up the pace so as not to slow down the economy too much or stress asset prices which – despite multifaceted risks – are at high levels. Record public sector debt will impose limits on fiscal policies that will have a tightening effect in many cases, so monetary policymakers must assume greater cyclical responsibility; key rates may need to go below neutral in some countries. Households, businesses and financial markets have shown resilience and adaptability but are being challenged from many directions.

Multifaceted conflicts. The wars in Ukraine and the Middle East continue with no end in sight and with concerns about escalation. Even countries not directly involved are affected by aggressive attempts to influence their policies, economies and defence capabilities through various types of influence operations and hybrid warfare. In addition to direct fighting, geopolitical fragmentation continues as trade barriers, tariffs and value chains become political and economic weapons. This weighs on economic performance, although some protectionist elements may be needed for the green transition and to reduce economic vulnerability.

A shrinking percentage of the population is of working age
People aged 15-64 as a percentage of total population (next 10 years in grey)



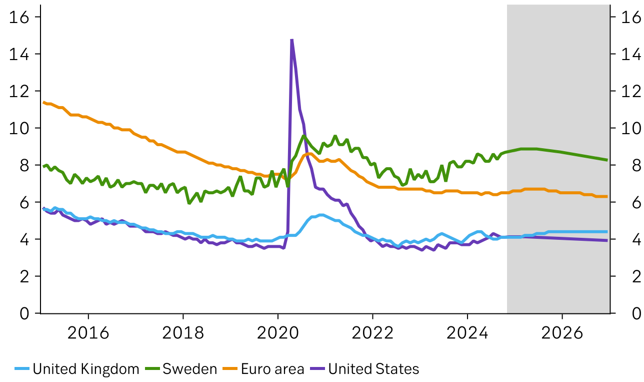
Source: World Bank, Macrobond, SEB

Moderate global growth

Our overall growth outlook from August's *Nordic Outlook* still stands, but one major change is that the growth gap between the US and the euro area will last longer. Emerging market economies are growing by just over 4 per cent and the world economy by just over 3 per cent per year. Current conditions differ markedly between the US and the euro area: After several years of strong growth, the GDP level is close to trend in the US but clearly below trend in the euro area. Future growth potential will depend on strong labour markets, rising real incomes and lower interest rates. At the same time, several factors suggest that we will have to get used to lower growth figures ahead. Demographic trends are worsening, tighter immigration rules are limiting labour supply and fiscal policies are tightening. Investments aimed at boosting productivity – as suggested in the European Union's recently published Draghi report – are one way forward, but until we see actual measures, we are not factoring them into our forecasts.

The United States continues to surprise. During the third quarter of 2024, the US economy grew at an annualised rate of 2.8 per cent, and household finances are strong enough to keep consumption going. We are revising our US growth forecast for the period 2024–2026 upward by just over 0.5 percentage points, largely linked to households, where revised income and savings statistics show a stronger starting situation and no especially great need for tightening. Business indicators for the service sector also point to a more positive view of near-term performance. A weaker labour market is a risk, but we do not expect a major upturn in unemployment.

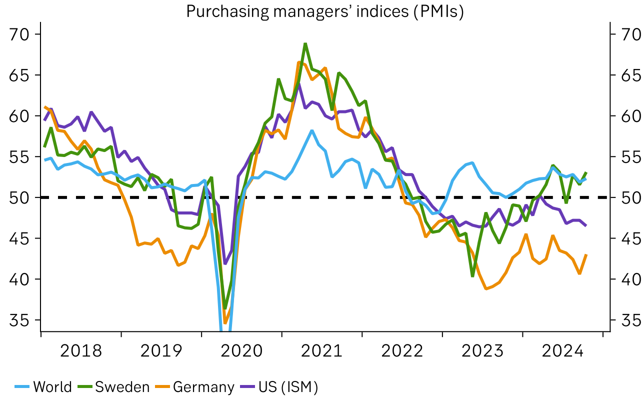
Unemployment will rise slightly
Per cent of labour force



Source: Macrobond, SEB

Weak industrial activity. In many countries, industrial activity is weak. The fact that the global economy is not accelerating faster further suggests continued weak industrial activity, but differences between countries and sectors are also driven by national conditions – such as access to cheap energy and restructuring in such sectors as the automotive industry. Residential investments are weak in many countries but will pick up as interest rates fall and households take a more positive view of the situation.

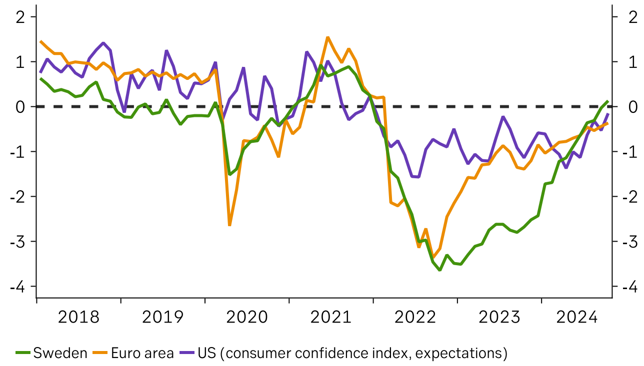
Divergent industrial activity
Purchasing managers' indices (PMIs)



Source: Institute for Supply Management (ISM), S&P Global, Swedbank, Macrobond, SEB

Continued structural and cyclical problems in the euro area. In the euro area, recovery will not occur until the second half of 2025, but the situation differs significantly between economies. Germany is dragging down overall figures while Spain is showing strength, with a growth forecast even higher than the US this year. Resilient labour markets with high employment levels and marginal rises in unemployment, despite two years of weak growth, have been crucial in keeping the slowdown from getting worse. Growth statistics surprised on the upside in Q3, but the outlook is weak in the near term. Although consumer confidence has climbed, we are not yet seeing the results of this in actual consumption. It is crucial for many euro area countries that stronger household incomes go towards consumption and not (only) into savings. The euro area includes many export-oriented countries, so global economic and political developments are very important.

Consumer confidence at normal levels
Standardised index



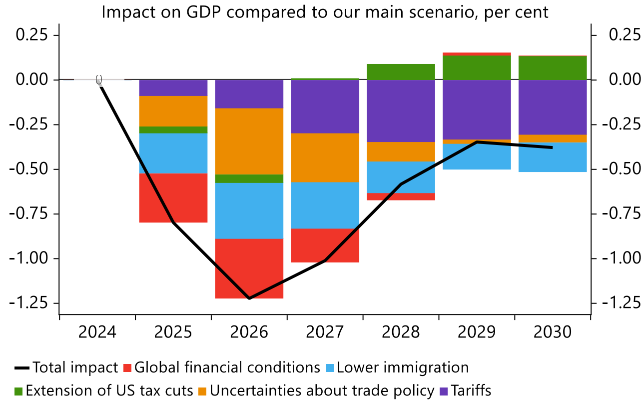
Source: Conference Board, Eurostat, Swedish National Institute of Economic Research (Konjunkturinstitutet, NIER), Macrobond, SEB

German stagnation. Germany has been especially hard hit by the economic shocks of recent years, as previous advantages have turned into disadvantages. GDP is only a couple of tenths above its pre-pandemic level, and industrial production has fallen by almost 10 per cent, with declines in most economic sectors. Headwinds are coming from several directions. Germany's manufacturing- and export-dependent economy is being squeezed by a high-cost situation, while tariffs and trade barriers risk growing in scope. The fact that the automotive industry, one of the country's most important sectors, is undergoing a major transition makes the situation more difficult. The energy transition and high natural gas prices are weighing on households and energy-intensive businesses, for example chemical companies. Political uncertainty has increased due to the collapse of the three-party governing coalition. Chancellor Olaf Scholz wants a parliamentary vote of confidence in January, while the opposition leader prefers a faster timetable for a new election, a new government, new economic policies and rapid steps to revitalise the stagnating economy. Of course, not all is gloomy even in Germany. Unemployment is low – albeit slightly rising – and households have saved a lot, which may boost consumption. But it is hard to see a turnaround in the near term. We expect economic reversals to continue.

How will Trump's policies affect growth?

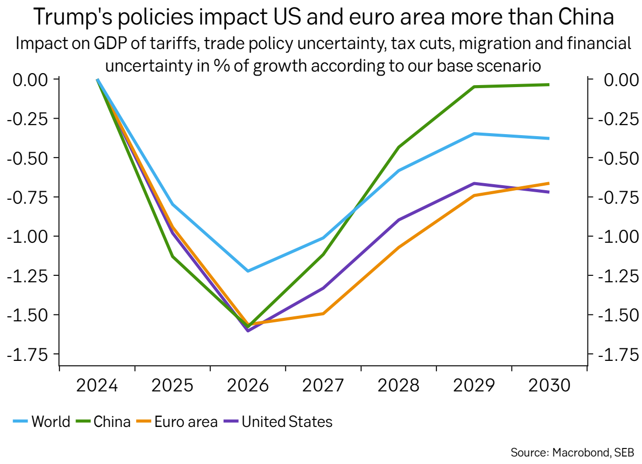
The impact of President-elect Donald Trump's proposed policies is a significant risk to our global growth and inflation forecasts. In our forecast, we assume that Trump will raise tariffs, mainly on imports from China, but not to the highest levels mentioned during the election campaign (60 per cent), in any case not for all goods. Tariffs on imports from the rest of the world will go up, but the highest tariff levels will be used mainly as a negotiating weapon. One reason why we expect some restraint is that we and most other observers believe that Trump's most far-reaching tariff hikes would also harm US growth.

Impact of Trump's policies on global economic growth
Impact on GDP compared to our main scenario, per cent



Source: International Monetary Fund (IMF), Macrobond, SEB

How big can the impact on growth be? In its latest *World Economic Outlook*, the International Monetary Fund (IMF) presented a scenario assuming 10 per cent tariffs on all US imports, with the affected countries responding by imposing similar countermeasures. The IMF also assumes that the earlier US tax cuts that expire next year will be extended, migration policy will be more restrictive, that uncertainties about trade policy will increase and that financial conditions will be tightened. Calculations such as these are very uncertain but are an attempt to quantify the impact of proposed new policies. The tariffs themselves would not have the greatest effect; customs revenue is returned to households. Instead, general uncertainty about trade policies and the impact on financial conditions (including higher interest rates) would have the biggest negative effect on growth, together with reduced immigration. In recent years, immigration has helped maintain growth (through increased employment). The IMF's conclusion is that the US would be impacted the most, since all its trade flows would be affected by higher tariffs, while other countries would only impose higher tariffs on trade with the US. A similar calculation by the Peterson Institute (with different assumptions about migration and whether countries respond to Trump's tariffs or not) predicts a negative GDP impact for the US of about 3-10 per cent by the end of 2028.



Structural problems are holding China back

China's economic problems have intensified this year, and the launch of monetary policy stimulus and measures to support the stock and real estate markets has not been sufficient. The government has hesitated to enact a broader fiscal stimulus package. So far, its focus has been on stabilising rather than stimulating the economy. A recently unveiled package equivalent to USD 1.4 trillion aimed at restructuring debt at the local level is good from a financial stabilisation perspective but will not fuel much additional growth. The cost of major fiscal stimulus measures may be high; due to local and global uncertainties, Beijing is holding back. The authorities have also shown a lukewarm willingness to address the country's structural problems, such as its debt- and investment-driven growth model and weak household consumption. Meanwhile it will be harder for goods exports to remain the growth engine of the economy in a global environment that is increasingly critical towards Chinese overcapacity, and with higher tariffs being imposed by the US and the EU.

GDP growth in the BRIC countries and EM sphere
Year-on-year percentage change

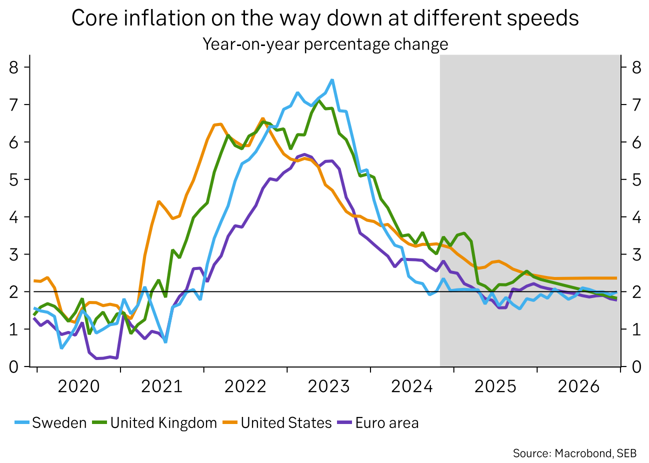
	2023	2024	2025	2026
China	5.2	5.0	4.5	4.3
India	7.8	6.8	6.5	6.4
Brazil	2.9	3.0	1.8	2.0
Russia	3.6	3.8	1.6	1.5
EM economies, total	**4.4**	**4.4**	**4.1**	**4.1**

Source: IMF, SEB

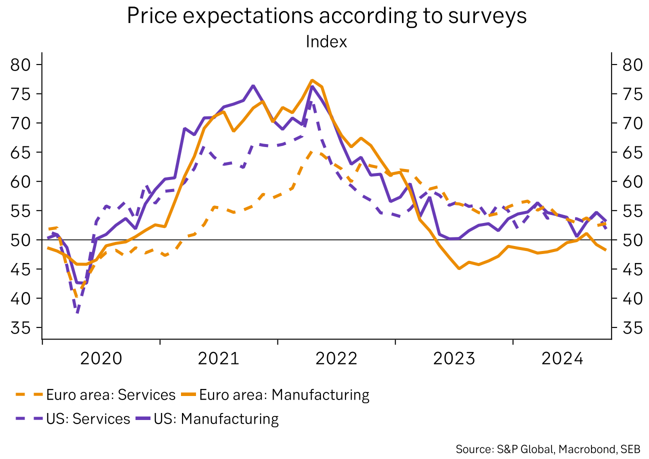
In general, growth drivers in emerging market (EM) economies are similar to those in the OECD countries. Households have been resilient, lower inflation has allowed room for many EM central banks to keep cutting key interest rates (Brazil, Russia and Turkey among the exceptions), and consumption will be supported by rising real incomes at the same time as fiscal policy is tightening. Export dependence can be a plus or minus depending on global geopolitical positioning. Trump's US election victory poses upside risks for key interest rates in an environment of higher global bond yields and a stronger dollar. There are especially large uncertainties in forecasts about Mexico and Ukraine as well as for Asian emerging market economies.

Successful fight against inflation

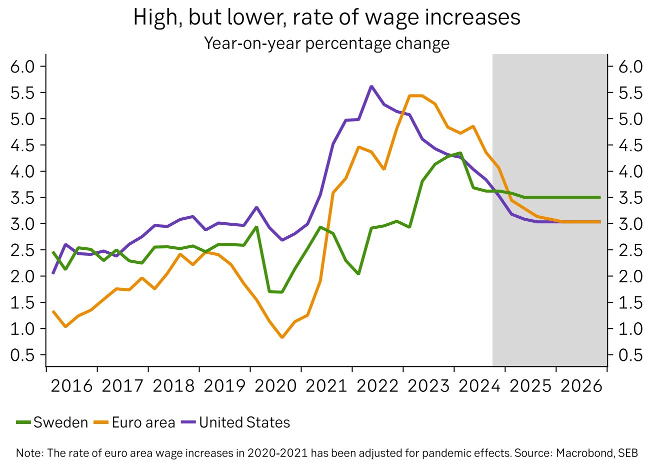
The fight against inflation has been largely successful, but given volatile monthly figures, the journey has naturally included temporary ups and downs. The general picture is that US and euro area inflation rates will reach their targets in 2025. But it is worth noting that lower inflation implies continued high price levels; we do not foresee any reversal in the price increases from the years of high inflation. Our forecasts remain highly uncertain; trade barriers and tariffs may change the situation and as we have seen in recent years, escalating conflicts may quickly push up freight and energy prices.



Pricing plans point to slower increases. According to surveys, companies have clearly lowered their pricing plans in both the US and Europe. But in some cases, they are still a bit higher than before the pandemic. The rate of increase in goods prices has largely normalised, but service prices are still rising faster than their historical average, among other things due to high demand for services after the pandemic, lagging effects on rents and high wage and salary increases. Freight prices have fallen back, and the increase in producer prices for the early stages of production that occurred in early 2024 has slowed. Chinese export prices are falling, contributing to lower inflation in the rest of the world, and overall short-term inflation risks are on the downside. Upside risks are linked to politics, tariffs and supply disruptions, but also wages. If inflation surprises significantly on the upside, it is doubtful whether households will accept another real wage cut.



Wages the focus of attention among inflation-watchers (and central banks). The deceleration in wage and salary increases and lower service inflation remain important to central banks. In most countries, we see that wages have risen faster than their historical average in order to provide some inflation compensation. The rate of wage growth is slowing, albeit a bit later in the euro area. Obvious risks that might cause the decline in domestic inflation to lose momentum are that the labour market is relatively tight and that real household wages have not recovered their previous losses.

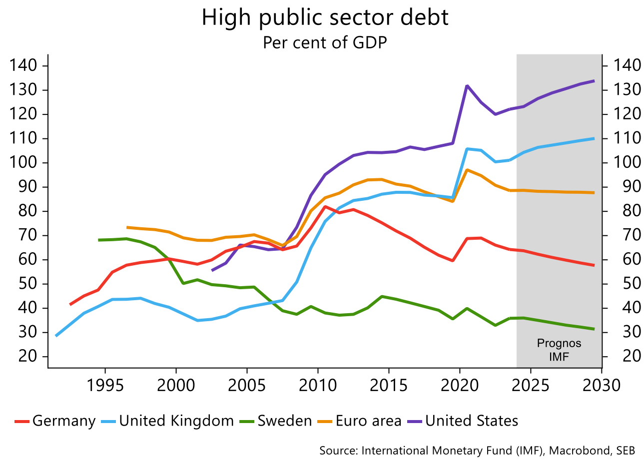


Tariffs will increase the risks of inflation on goods. Goods inflation has normalised, but tariffs and trade conflicts will boost uncertainty. IMF calculations show that 10 per cent import tariffs in the US, EU and China would have small inflationary effects; an initial price rise would result in weaker demand that would work in the opposite direction. The fact that tariffs would also have a one-off effect on inflation may reduce central bank reactions (provided there are no spillover effects to wages, pricing behaviour or trade wars). In its above-mentioned calculation, the Peterson Institute projects a larger effect: that inflation will increase by a total of between about 4-7 per cent through 2026, and the risk of reduced Fed independence is an additional driver that will contribute to higher actual and expected inflation.

The inflationary effect is not only due to the size of the tariffs; imports subject to customs duties in one country can be diverted to other countries, resulting in lower prices. At the same time, a weaker exporter currency may reduce the inflationary effect, as may the ability of both exporters and importers to absorb higher costs in their margins. Other trade barriers, such as quotas, may also conceivably limit import volumes. The overall inflation effect is difficult to gauge. If anything, tariffs should result in higher inflation and slightly higher interest rates, but the order of magnitude is hard to estimate. The big risk to our global growth forecast is that higher tariffs may be followed by increased countermeasures and greater uncertainty, which among other things would dampen investment plans.

Fiscal policies will need to change

The COVID pandemic, inflation shocks, crises and wars have pushed up public sector deficits and debt. Globally, the debt ratio is on track to reach 100 per cent of GDP by the end of the 2020s. The current situation is clear – many countries must change and tighten their policies. The difficult task faced by fiscal policymakers in the coming years will be to hold back spending without slowing down the economy too much, while prioritising growth-friendly structural reforms – amid an environment of growing populism, structural challenges, green transition, higher interest rates and security policy uncertainty. This also leads to uncertainty in forecasting, a risk of overoptimistic calculations, a desire to avoid tough but necessary decisions in the near future and attempts to place expenditures ‘outside’ the normal budget process and thus make them invisible in normal deficit and debt metrics.



Some concerns in financial markets about high deficits and debt. Fiscal policy will be slightly contractionary in the next few years in most countries, but debt will continue to rise. The weak initial situation is causing interest rate concerns and contributing to caution among politicians. It is noticeable that financial markets are keeping a close eye on fiscal policy, for example in the UK, where government bond yields rose both before and after the last government budget. Market developments were similar around the French elections this past summer. Both countries are now planning to reduce their budget deficits over the next few years. We have seen similar developments in the US, where Treasury yields rose when Donald Trump gained ground in opinion polls, and vice versa; his policies are expected to increase deficits more than a Kamala Harris presidency would have done. Countries with slightly more room for stimulus, such as Germany, are held back by political disagreements and fiscal regulations. Some countries such as the Nordics stand out because of their more expansionary fiscal policies, which provide growth benefits.

Central banks: How quickly, and to what level?

The interest rate cutting cycle is under way; today it is a matter of phasing out the fight against inflation without damaging the economy. Central issues are the balance between inflation and growth and the interest rate levels that central banks are aiming for. As inflation approaches central bank targets, the general health of the economy – rather than the latest datapoints – will come more into focus, even for central banks without a broader formal economic mandate such as the ECB. Inflation dynamics and growth rates look different in the US and the euro area, creating different conditions for the Fed and the ECB. Key interest rates at the end of our forecast period will thus differ a bit more than we previously expected. Depending on political developments in the US, there is also a risk that the Fed's independence will be challenged. Although we do not expect actual changes in the regulations, limits on fiscal manoeuvring room will force central banks to pay more attention to cyclical considerations in various countries during the next couple of years, pushing down key rates further.

Diverging dynamics are leading to wider key interest rate gaps between the Fed and the ECB. Core inflation in the euro area will fall quite rapidly early in 2025, which will help persuade the ECB to lower its key interest rate a little faster in the first quarter. For the Fed, this past summer's lower inflation figures have recently been superseded by slightly faster price increases. Combined with continued positive growth signals, this development will prompt the Fed to cut its key rate in 25-basis point increments. As far as Sweden is concerned, the inflation picture looks better than in these larger economies, which makes it easier for the Riksbank. The inflation downturn is a little broader and at times has been faster than elsewhere. Because of a relatively moderate pay increase outlook, inflation dynamics are becoming somewhat more manageable for the Riksbank. At the same time, the krona continues to be a concern. One area where Sweden stands out is energy prices, which caused inflation to drop below 1.5 per cent for a while.

Central banks
Year-end key interest rates, per cent

	Nov 7	2024	2025	2026
Federal Reserve	4.75	4.50	3.50	3.50
ECB (deposit rate)	3.25	3.00	1.50	1.50
Bank of England	4.75	4.50	3.50	2.75
Norges Bank Norway)	4.50	4.50	3.50	2.50
The Riksbank (Sweden)	2.75	2.50	2.00	2.00

Source: Central banks, SEB

Conflicting forces pulling long-term yields

The uncertainty surrounding US policy choices is creating a volatile environment for global bond yields, with fiscal deficits/debt levels and continued key interest rate cuts pulling in opposite directions.

Uptrend for US bond yields. Positive surprises in the economic data and Republican success in the elections has pushed up bond yields. This pressure is expected to continue as expectations of a more expansionary fiscal policy and higher inflation risks are incorporated into and push up market expectations for key rates and risk premiums, especially for long-term yields. Key rate cuts, which are still expected to continue in 2025, will to some extent counteract the upward pressures on bond yields resulting from fiscal policies. We expect the 10-year US Treasury yield to rise to 4.70 per cent by the end of 2025, but it may range as high as 5.00 per cent. If the market loses confidence in fiscal policymakers and debt problems flare up, yields may climb even higher.

10-year government bond yields
Per cent, year-end

	Nov 7	2024	2025	2026
United States	4.31	4.40	4.70	5.40
Germany	2.42	2.30	2.40	2.80
Sweden	2.26	2.15	2.45	2.80
Norway	3.87	3.65	3.35	3.55

Source: Central banks, SEB

Stagnant euro area bond yields. Government bond yields in major euro area countries are already low in relation to the ECB's key interest rate, which limits their downside despite rather significant rate cuts until July next year. These rate cuts will counteract the underlying upward pressure we foresee from deficits and government bond issuances as well as from a faster reduction in the ECB's securities holdings. We believe that long-term German yields will be relatively well protected from the rise in US bond yields and will also be held down by weak growth prospects. German 10-year yields will mostly fluctuate in the 2.20-2.40 per cent range during the first half of 2025, then gradually rise as the ECB concludes its cutting cycle.

Sweden – interest rate normalisation, eventually. Once again, Swedish government bond yields have been surprisingly low compared to their German equivalents. While concerns about increased bond supply have driven German yields higher, in line with many other countries, Swedish yields have remained low. We continue to expect a gradual increase in bond supply, combined with reductions in the Riksbank's asset portfolio – putting upward pressure on Swedish yields and normalising the yield spread against Germany. Future narrowing of the key rate spread, for example because the ECB has more rate cuts left than the Riksbank, is also expected to contribute to a smaller spread between Swedish and German bond yields.

Norway – Norges Bank is limiting the decline in long-term yields. The supply of government bonds is likely to decrease in 2025, when the practice of issuing bonds to neutralise the liquidity effect of Norges Bank's transfers to the government from the oil fund (Government Pension Fund Global) has ended. The decline in yields due to lower supply will be limited by the fact that Norges Bank is cutting its key rate later and more slowly than many other European central banks. The 10-year yield spread against Germany will decrease to 75 basis points by the end of 2026.

USD weakness and SEK strength postponed

The foreign exchange market has been turbulent since this past summer. As expected, the dollar weakened ahead of the Fed's first interest rate cut in September, while currencies such as the euro and the Swedish krona performed strongly. In October, things turned around when the US presidential election became the focus of attention, and betting odds in particular started to point in Donald Trump's favour. A stronger dollar, a weaker euro and an even weaker krona are a natural result of Trump's election victory, partly due to the likely consequences of interest rates and yields, tariffs and a possible trade war.

Delayed consolidation in growth and higher US yields. The main driver for a forecast of dollar depreciation in 2025 was that lower US interest rates and falling growth would trigger a major rebalancing in which asset managers would scale back their large USD exposures. These developments will now take longer after US bond yields have risen in response to the Republican election victory and stronger US data than expected. Meanwhile, developments in the euro area moved in the opposite direction. Growth has been weaker than expected, and expectations of more and faster ECB key rate cuts have instead kept yields down.

Delayed dollar depreciation. Without support for the euro from yields and growth, as we previously envisioned in 2025, the euro probably cannot appreciate against the dollar. We are thus changing our forecasts and believe that the EUR/USD exchange rate will fall until mid-2025. Only then do we expect a turnaround, but only provided that US and European growth rates actually start to converge. There is also greater uncertainty, since we do not know exactly what policies the new Trump administration will pursue; their impact on inflation and growth may be both larger and more turbulent than is usually the case after a change of administration.

Year-end exchange rates

	Nov 7	2024	2025	2026
EUR/USD	1.08	1.07	1.06	1.08
USD/JPY	153	155	150	160
EUR/GBP	0.83	0.85	0.90	0.91
EUR/SEK	11.55	11.75	11.40	11.20
EUR/NOK	11.71	12.00	11.80	11.45

Source: Bloomberg, SEB

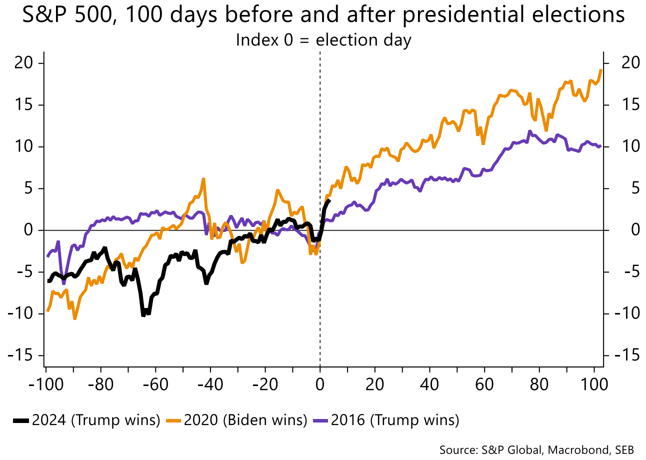
A tougher environment for the SEK and NOK. The appreciation of the Swedish krona and the Norwegian krone in 2025 that we expected was also largely dependent on a weaker USD. The timing will thus also change, while SEK and NOK appreciation will be more uncertain and probably less strong. However, political developments are not usually the main foreign exchange market driver for long periods; fundamental factors usually take over rather soon. If tariffs and losses for the global export industry are not too extreme, there is still support for the Swedish krona from local factors. The SEK is still undervalued, especially after its sharp depreciation during the global interest rate hiking period. We expect a relatively large upturn in Swedish economic growth going forward, and since this will be driven mainly by better conditions for Swedish households, it should not be significantly affected by changes in conditions due to the US election. There is thus still support for the krona from growth and valuations, although it will be more difficult for the krona to appreciate in a strong-USD environment. Another risk is if so-called carry trades – where the krona with its low interest rate is often among currencies that are sold in exchange for high interest rate currencies – become common again.

Delayed and milder recovery for the krona. To summarise, we still expect the SEK to eventually begin appreciating in 2025. But because of a less krona-friendly global environment its recovery, especially against the dollar, will not be as strong as we previously forecasted.

Short-term equity support, long-term concerns

Even before the US elections, growth prospects and interest rate cuts contributed to a positive view of the stock market. After the Republican victory, we expect further support for equities as markets price in a scenario including more stimulus measures, growth and higher inflation. The further we peer into 2025, the greater the uncertainty about the consequences of new US economic policies, including a higher inflation risk and larger public sector deficits. The markets will probably be negatively affected by these risks once such policies become a reality, which may lead first to a stock market rally and then a correction. The upturn may total 8-10 per cent for the S&P500, which is in line with the historical pattern after an election. US markets are the most favoured, although European equities are supported by weaker currencies and lower interest rates. Small businesses, major tech companies and consumer goods will be the winners. Losers will include interest-sensitive companies, telecoms, health care and green energy firms.

A near-term rally should benefit cyclical stock markets such as the Nordic ones. On the other hand, tariffs, higher bond yield expectations and reduced subsidies for the green transition will pull in the opposite direction. Overall, we believe that the Nordic markets are better positioned than those in continental Europe, but there are significant differences. The winners are likely to be commodities, banks, defence, telecom equipment and producers of consumer durables, especially those with production in the US.



Oil: tug-of-war between supply and geopolitics

This autumn, oil prices have fluctuated between just under USD 70 and just over USD 80 per barrel (Brent crude). They are currently in the middle of that range. There has been a recent tug-of-war between rising supply, weak demand and growth concerns on the one hand, and worries about conflicts in the Middle East and fears about their negative impact on oil supply on the other. We do not believe that the OPEC+ cartel will abandon its strategy of "price over volume" in the near future. Among other things, the cartel has just put on hold an increase in production during December. But rising supply from outside OPEC+ is creating irritation and a reduced willingness to hold back production. We expect an average oil price of USD 75 per barrel in 2025, rising to an average of USD 88/b in 2026. The price of natural gas in Europe (TTF) has fallen slightly during the autumn. Gas storage is at 95 per cent of capacity – slightly lower than a year ago but well above the historical average of about 90 per cent. Average prices in 2024 are expected to be EUR 33/MWh (USD 62/b of oil equivalent). This winter, the weather will be in control, but our forecast of EUR 38/MWH in 2025 includes a winter risk premium.

Balanced risks

There is an unusually long list of concerns that might affect our OECD growth scenario. At the same time, political uncertainty is nothing new, and in recent years the global economy has shown resilience to wars, conflicts, trade disruptions and increased regional polarisation. But the uncertainty linked to US policies over the next few years makes the situation special. We nevertheless believe that the risk picture is balanced, in line with our forecast in the August issue of *Nordic Outlook*. We still expect any divergences from our main scenario to be larger on the downside than on the upside.

Scenarios for the OECD countries

GDP growth, per cent

	2024	2025	2026
Main scenario	1.8	1.9	1.7
Negative scenario	1.7	0.0	1.1
Positive scenario	1.8	2.9	2.1

Source: SEB

Downside risks from tariffs and geopolitics. The global economy may turn out to be more sensitive to Trump's policies than expected. If the US introduces tariffs at a faster pace and on a larger scale than assumed in our main scenario, a more extensive trade war could follow. In such a situation, higher inflation together with generally elevated uncertainty may force central banks to tighten their monetary policies, households to save more and companies to hesitate about making investments during a negative growth spiral. Such a scenario might be further exacerbated, for example, by an escalation of the conflict in the Middle East and higher energy prices. There is also a possibility that the growth outlook will surprise on the upside. There was a lot of nervousness ahead of the US elections, and if campaign rhetoric does not fully turn into national policy, markets may instead react in the form of a relief rally, with positive effects on sentiment and demand. Coupled with favourable inflation surprises, faster rate cuts and China taking the chance to launch a structural reform agenda, growth may provide upside surprises. One reason for the smaller upside divergence from our main scenario is that in many cases, labour markets are already stretched at the outset.

Nordic and Baltic countries clearly accelerating

Nordic and Baltic growth figures will accelerate clearly during 2025–2026. Due to high interest-rate sensitivity in most of these economies, earlier headwinds are now turning into tailwinds. However, there are still differences in dynamics between countries. Most Swedish, Norwegian and Finnish homeowners have taken out variable-rate mortgage loans and are rapidly benefiting from interest rate cuts. In Norway, however, the key interest rate is being cut more slowly, and consumption growth will accelerate somewhat later. Although we expect consumption in Finland to pick up, the country is facing challenges in its export sector due to anaemic economic conditions in Germany and a weak construction market. Denmark continues to show strong growth figures as industries outside the booming pharmaceutical sector also lift the economy. In Denmark, too, growth is largely being driven by a favourable situation for households. In addition to Denmark, the upturn in Swedish growth stands out. The conditions for consumption-led growth are good, not only because the Riksbank is first in the interest rate cutting cycle, but also because fiscal policy is now clearly supporting the economy. Housing construction should also gradually rebound, but the strength of this recovery is still uncertain. However, the latest statistics have been on the weak side and the recovery has been delayed compared to our August forecast.

GDP growth, Nordics
Year-on-year percentage change

	2023	2024	2025	2026
Sweden	-0.3	0.5	2.2	3.1
Norway	0.5	1.6	1.9	1.2
Denmark	2.5	2.4	3.0	3.0
Finland	-1.2	-0.5	1.5	1.8
Nordic countries	**0.4**	**1.1**	**2.2**	**2.5**

Source: IMF, SEB

A recovery among key trading partners is needed by the Baltic economies. A weak Finnish economy and a weak construction sector in Sweden are clearly influencing the performance of the Baltic economies, especially Estonia, which has lagged in terms of growth over the past few years. Although lower interest rates are expected to revive Estonia's domestic construction market, the downward trend also needs to be reversed in Sweden and Finland. In Lithuania and Latvia, international demand is also important, but the link to manufacturing growth rather than to the rest of the EU is the focus. Both countries are implementing fiscal policy changes that we expect will stimulate their economies. In addition, EU funds will contribute to their continued recovery.

GDP growth, Baltics
Year-on-year percentage change

	2023	2024	2025	2026
Lithuania	0.3	2.4	2.8	2.9
Latvia	1.7	-0.4	1.8	2.2
Estonia	-3.0	-0.9	2.2	2.8
Baltic countries	**0.0**	**0.9**	**2.4**	**2.7**

In addition to this summary international overview, we have recently published the following in-depth analyses on our Research website (click each link to read the analysis):

United States

Euro area

United Kingdom

Japan

Sweden

Norway

Denmark

Finland

Estonia

Latvia

Lithuania

Emerging Markets Explorer

Global key indicators

Yearly change in per cent

	2023	2024	2025	2026
GDP OECD	1.7	1.8	1.9	1.7
GDP world (PPP)	3.2	3.2	3.1	3.1
CPI OECD	6.9	4.9	3.2	3.1
Oil price, Brent (USD/barrel)	82	83	75	88

US

Yearly change in per cent

	2023 level, USD bn	2023	2024	2025	2026
Gross domestic product	27,721	2.9	2.7	2.0	1.7
Household consumption	18,823	2.5	2.7	2.3	1.8
Public consumption	3,724	2.9	2.4	1.9	0.8
Gross fixed investment	5,930	3.7	4.3	2.6	2.6
Stock building (changes as % of GDP)	42	-0.4	0.1	0.0	0.0
Exports	3,052	2.8	3.6	3.4	0.9
Imports	3,850	-1.2	5.9	4.7	2.2
Unemployment (%)		3.6	4.0	4.1	4.0
Consumer prices		4.2	2.9	2.3	2.5
Core CPI		4.8	3.4	2.7	2.4
Public sector fiscal balance. % of GDP		-7.1	-7.6	-7.5	-8.0
Public sector debt. % of GDP		118.7	121.0	124.7	129.0

Euro area

Yearly change in per cent

	2023 level, EUR bn	2023	2024	2025	2026
Gross domestic product	14,595	0.4	0.8	1.3	1.6
Household consumption	7,736	0.6	0.7	1.3	1.5
Public consumption	3,093	1.6	1.7	0.8	1.0
Gross fixed investment	3,195	1.6	-1.9	2.2	2.3
Stock building (changes as % of GDP)		-0.9	-0.6	0.0	0.0
Exports	7,376	-0.7	1.7	2.5	3.1
Imports	6,859	-1.3	-0.3	2.8	3.1
Unemployment (%)		6.6	6.5	6.6	6.4
Consumer prices		5.4	2.4	1.7	1.9
Core CPI		4.9	2.9	2.1	1.9
Public sector fiscal balance. % of GDP		-3.6	-3.1	-3.1	-2.9
Public sector debt. % of GDP		87.4	88.3	88.6	88.6

Other major economies

Yearly change in per cent

		2023	2024	2025	2026
United Kingdom	GDP	0.3	1.0	1.4	1.5
	Unemployment (%)	4.0	4.2	4.3	4.4
	Inflation	7.3	2.5	2.2	1.9
Japan	GDP	1.7	0.4	1.0	1.1
	Unemployment (%)	2.6	2.5	2.4	2.4
	Inflation	3.3	2.5	1.9	1.8
Germany	GDP	-0.3	-0.1	0.8	1.2
	Unemployment (%)	3.0	3.6	4.0	3.8
	Inflation	6.0	2.5	1.9	2.1
France	GDP	0.9	1.1	0.9	1.3
	Unemployment (%)	7.4	7.5	7.6	7.4
	Inflation	5.7	2.3	1.3	2.1

Emerging markets

Yearly change in per cent

		2023	2024	2025	2026
China	GDP	5.2	5.0	4.5	4.3
	Inflation	-0.3	0.7	1.6	1.8
India	GDP	7.8	6.8	6.5	6.4
	Inflation	5.7	4.5	4.4	4.4
Brazil	GDP	2.9	3.0	1.8	2.0
	Inflation	4.6	4.1	3.7	3.5
Russia	GDP	3.6	3.8	1.6	1.5
	Inflation	7.4	9.0	6.0	4.5
Poland	GDP	0.2	3.0	3.4	3.4
	Inflation	6.1	3.7	4.2	3.1

Financial forecasts

End of period

Officiall interest rates	**7-Nov**	**Dec-24**	**Jun-25**	**Dec-25**	**Jun-26**	**Dec-26**
US	4.75	4.50	4.00	3.50	3.50	3.50
Japan	0.25	0.50	0.75	0.75	0.75	0.75
Euro area, deposit rate	3.25	3.00	1.75	1.50	1.50	1.50
United Kingdom	4.75	4.50	4.00	3.50	3.00	2.75

Bond yields. 10 year	**7-Nov**	**Dec-24**	**Jun-25**	**Dec-25**	**Jun-26**	**Dec-26**
US	4.31	4.40	4.55	4.70	5.00	5.40
Japan	0.98	1.04	1.10	1.20	1.30	1.40
Germany	2.42	2.30	2.35	2.40	2.60	2.80
United Kingdom	4.49	4.50	4.15	4.00	4.20	4.40

Exchange rates	**7-Nov**	**Dec-24**	**Jun-25**	**Dec-25**	**Jun-26**	**Dec-26**
USD/JPY	153	155	153	150	155	160
EUR/USD	1.08	1.07	1.05	1.06	1.07	1.08
EUR/JPY	165	166	161	159	166	173
EUR/GBP	0.83	0.85	0.87	0.90	0.91	0.91
GBP/USD	1.30	1.26	1.21	1.18	1.18	1.19

Sweden

Yearly change in per cent

	2023 level, SEK bn	2023	2024	2025	2026
Gross domestic product	6,206	-0.3	0.5	2.2	3.1
Gross domestic product. working day adjusted		-0.1	0.5	2.4	2.9
Household consumption	2,782	-2.3	-0.1	2.5	3.2
Public consumption	1,621	0.7	0.9	0.8	0.8
Gross fixed investment	1,555	-1.4	-2.0	3.0	5.0
Stock building (changes as % of GDP)	0	-1.4	-0.4	0.2	0.2
Exports	3,425	3.2	2.5	3.0	4.8
Imports	3,177	-1.1	0.3	3.4	5.2

	2023	2024	2025	2026
Unemployment (%)	7.7	8.5	8.8	8.5
Employment	1.4	-0.5	0.1	0.7
Consumer prices	8.5	2.8	0.3	1.7
CPIF	6.0	1.8	1.7	2.0
CPIF ex. energy	7.5	2.6	1.9	1.9
Hourly wage increase	3.8	3.9	3.5	3.4
Household savings ratio (%)	14.9	15.2	14.2	14.0
Real disposable income	-0.6	0.7	3.2	3.5
Current account. % of GDP	6.9	6.8	6.0	5.5
Budget balance, SEK bn	19	-71	-75	-57
Public sector fiscal balance. % of GDP	-0.6	-1.0	-1.3	-0.5
Public sector debt. % of GDP	31.7	33.0	33.5	34.1

Financial forecasts	**7-Nov**	**Dec-24**	**Jun-25**	**Dec-25**	**Jun-26**	**Dec-26**
Policy rate	2.75	2.50	2.00	2.00	2.00	2.00
3-month interest rate. STIBOR	2.79	2.25	2.00	2.10	2.10	2.10
10-year bond yield	2.26	2.15	2.30	2.45	2.65	2.80
10-year spread to Germany. Bps	-16	-15	-5	5	5	0
USD/SEK	10.69	10.98	11.10	10.75	10.56	10.37
EUR/SEK	11.55	11.75	11.65	11.40	11.30	11.20
KIX	127.6	128.3	126.3	125.8	125.0	123.4

Finland

Yearly change in per cent

	2023 level, EUR bn	2023	2024	2025	2026
Gross domestic product	275	-1.2	-0.5	1.5	1.8
Household consumption	145	0.3	0.6	1.0	1.6
Public consumption	70	3.4	-0.5	-0.3	-0.2
Gross fixed investment	61	-9.0	-4.2	3.5	4.5
Stock building (changes as % of GDP)		-0.4	0.0	0.2	0.2
Exports	116	0.2	-1.8	3.2	3.5
Imports	116	-6.6	-1.5	3.0	3.5

	2023	2024	2025	2026
Unemployment (%)	7.2	8.2	7.8	7.5
Consumer prices	4.3	1.6	1.4	1.5
Hourly wage increase	4.2	3.2	2.8	2.5
Current account. % of GDP	-1.1	-0.8	-0.2	0.0
Public sector fiscal balance. % of GDP	-2.7	-3.8	-3.2	-3.0
Public sector debt. % of GDP	77.0	80.8	83.0	84.0

Norway

Yearly change in per cent

	2023 level, NOK bn	2023	2024	2025	2026
Gross domestic product	5,127	0.5	1.6	1.9	1.2
Gross domestic product (Mainland)	3,855	0.7	0.5	1.5	1.6
Household consumption	1,923	-0.8	0.9	1.6	2.4
Public consumption	1,122	3.4	2.4	2.5	2.5
Gross fixed investment	1,197	0.0	-1.8	1.7	3.5
Stock building (changes as % of GDP)	130	-0.4	0.1	0.1	0.0
Exports	2,420	1.4	2.7	2.3	0.6
Imports	993	0.7	0.5	2.5	2.6
Unemployment (%)		3.3	4.0	4.2	3.9
CPI		5.5	3.2	3.1	2.4
CPI-ATE		6.2	3.7	2.5	2.1
Annual wage increases		5.2	5.3	4.0	3.5

Financial forecasts	7-Nov	Dec-24	Jun-25	Dec-25	Jun-26	Dec-26
Deposit rate	4.50	4.50	4.00	3.50	3.00	2.50
10-year bond yield	3.87	3.65	3.45	3.35	3.45	3.55
10-year spread to Germany. Bps	145	135	110	95	85	75
USD/NOK	10.84	11.21	11.33	11.13	10.84	10.60
EUR/NOK	11.71	12.00	11.90	11.80	11.60	11.45

Denmark

Yearly change in per cent

	2023 level, DKK bn	2023	2024	2025	2026
Gross domestic product	2,805	2.5	2.4	3.0	3.0
Household consumption	1,300	1.4	1.1	3.4	4.1
Public consumption	636	0.2	0.9	0.7	0.8
Gross fixed investment	633	-6.2	-1.2	6.7	7.2
Stock building (changes as % of GDP)	7	-1.4	-0.5	-0.7	0.2
Exports	1,906	10.4	6.4	4.8	4.1
Imports	1,677	3.8	2.3	5.4	5.8
Unemployment (%)		6.1	5.9	5.1	4.3
Consumer prices		3.3	1.3	1.5	1.8
Hourly wage increase		3.3	4.0	3.9	4.4
Current account. % of GDP		12.5	10.0	8.0	7.0
Public sector fiscal balance. % of GDP		3.4	3.5	4.0	4.0
Public sector debt. % of GDP		29.3	29.0	28.0	27.0

Financial forecasts	7-Nov		Jun-25	Dec-25	Jun-26	Dec-26
Deposit rate	2.85		1.35	1.10	1.10	1.10
10-year bond yield	2.16		2.15	2.20	2.40	2.60
10-year spread to Germany. Bps	-26		-20	-20	-20	-20
USD/DKK	6.90		7.10	7.03	6.96	6.90
EUR/DKK	7.46		7.45	7.45	7.45	7.45

Lithuania

Yearly change in per cent

	2023 level, EUR bn	2023	2024	2025	2026
Gross domestic product	67	0.3	2.4	2.8	2.9
Household consumption	39	-0.3	3.0	3.4	3.0
Public consumption	11	-0.2	0.6	0.1	0.0
Gross fixed investment	14	9.3	-2.5	5.0	4.5
Exports	59	-3.4	1.9	3.5	4.0
Imports	60	-5.3	1.5	4.3	4.2
Unemployment (%)		6.8	7.4	7.1	6.8
Consumer prices		8.7	0.8	2.7	2.7
Wages and salaries		12.2	9.7	8.3	7.5
Public sector fiscal balance. % of GDP		-0.7	-2.0	-3.0	-2.4
Public sector debt. % of GDP		37.3	38.6	42.1	42.5

Latvia

Yearly change in per cent

	2023 level, EUR bn	2023	2024	2025	2026
Gross domestic product	40	1.7	-0.4	1.8	2.2
Household consumption	25	-0.7	0.7	2.0	2.4
Public consumption	8	7.0	7.1	3.9	3.0
Gross fixed investment	10	9.9	-3.6	4.8	5.2
Exports	26	-4.7	-0.3	2.6	2.5
Imports	27	-2.0	-2.6	1.4	2.2
Unemployment (%)		6.5	6.8	6.6	6.5
Consumer prices		9.1	1.4	2.0	2.1
Wages and salaries		11.9	9.8	6.7	6.1
Public sector fiscal balance. % of GDP		-2.4	-3.0	-2.8	-2.8
Public sector debt. % of GDP		45.0	46.7	47.2	48.8

Estonia

Yearly change in per cent

	2023 level, EUR bn	2023	2024	2025	2026
Gross domestic product	38	-3.0	-0.9	2.2	2.8
Household consumption	20	-1.3	-0.4	1.4	2.5
Public consumption	8	0.9	0.9	-0.3	-0.3
Gross fixed investment	11	7.6	-1.9	3.8	4.5
Exports	30	-9.0	-1.8	3.3	5.0
Imports	29	-6.7	-1.5	2.5	4.5
Unemployment (%)		6.4	7.5	7.2	6.8
Consumer prices		9.1	3.9	3.8	2.6
Wages and salaries		11.4	7.2	5.2	5.5
Public sector fiscal balance. % of GDP		-3.4	-3.5	-3.0	-3.0
Public sector debt. % of GDP		19.6	22.5	27.0	29.0